

Supply
communication has
played a major role



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Supply chain integration simply refers to the continuous process of adopting integrated management techniques by an organization in order to improve the association between the end consumers, suppliers and the OEM, Organization Equipment Manufacturer. The primary objective of this is to optimize the creation and distribution of products (Jinqing, Zhizhong, Hai and Yalu 2009: P14). An economist Martin Christopher gave a simpler definition of the term stating that “ supply chain integration is the continuous process of extending the logic of (logistics) integration outside the boundaries of a firm to include suppliers and customers” (Christopher 1992: P15).

There are three major types of supply chain integration, namely, internal integration, supplier integration and customer integration. For the above-mentioned types of integration (internal, supplier and customer ones) to be implemented successfully in an organization, there must be presence of some general driving forces that encourage their realization. Below are some of the forces driving increased integration. The first ones are globalization and customization of products. Mass communication has played a major role in encouraging these by informing customers of the new products in the market that are customized to satisfy their specific needs. Customers’ needs vary on daily basis, and these changes dictate the fluctuation in the market. The second driving force is a high overall quality, which is brought about by the increased consumer affluence and stiff competition in the market (Simchi-Levi, Kaminsky and Simchi-Levi 2000: P23). High competition in the market is positive but indirectly advocates for manufacturing the products of a better quality.

Customer integration also plays a major role in this process as the customers' demand for high quality products is respected by the manufactures hence the improvement in the quality of the products. Faster product development and product life cycles are the other driving forces (Enrique 2010). Every day, companies are customizing their products in accordance with the consumers' demands with the aim of gaining an added advantage over other competing firms. Reduction of the product's development cycle means faster production of new diversified goods that meet the needs of the consumers (Haozhe 2010). As you know, in the business world, the introduction and implementation of any new idea come with new costs that are either incurred or foregone by the organization.

The same case applies to the introduction and implementation of supply chain integration in an organization. Some of the costs that are either devolved or preceded by a firm in the process of supply chain integration include increased time devoted to personnel's training, supporting and managing the whole process, costs of buying appropriate software and information systems to facilitate the smooth running of the process, production stoppages during the transformation period, etc. And lastly, opportunity costs in the supply chain integration may favor some business opportunities over others (Gene, 1988: P 34). An effective and performing supply chain is formed by highly interdependent relationships between suppliers, manufactures and consumers.

Timely delivery of materials is crucial to eliminate the risks and costs of high inventory. This, therefore, means that a small delay by one supplier can cause a major halt in production since this strategy discourages the

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existence of safety stock. The costs mentioned above are only one side of the coin while there are the benefits on the other side of the coin as well. The major advantage is the overall saved cost as a result of reduced inventory, e. g., the maintenance costs incurred when inventory is stored in form of safety stock are saved. Inventory is significantly reduced by the increased speed at which materials move through the supply chain and the elimination of safety stock.

A significant reduction in the transaction cost as a result of improved information sharing is another benefit (Shigeki and Tina 2000). Other profits include increased profitability and competitiveness, reduced manufacturing operations costs, faster and better response to dynamic markets and reduced product development costs (U. S. National Research Council 2009). The supply chain integration process is quite expensive hence the need for close monitoring of its progress. The best way of implementing this process would be by starting the ' domestic' (internal) level then graduating to the external suppliers.

The internal integration process may begin by educating all the involved personnel of all the relevant skills required. Reduction of inventory to decrease the working capital, transportation and warehousing taxes may help save some cost of implementing the integration process. What follows after the internal integration process is complete is the selection of reliable suppliers who have the power and resources to supply materials on strict deadlines.

Push, pull and push-pull system in supply chain

There are several paradigms in supply chain management that apply different management strategies. Push strategy is an old paradigm which suggests that all production decisions should be based on long term forecasts (Globusz 2011).

The push strategies were challenged with a number of factors such as obsolescence, excess inventory, variability in production, low quality services, mismanagement of resources, and lack of flexibility in case of dynamic markets (M&DC 2011). These problems were to some extent addressed by the new pull paradigm in which all decisions concerning production and distribution of products are made based on the customers' demands. There is reduced variability, inventory and overall lead time. Firms manufacturing products that end up in a rapidly changing market need to adopt the pull strategies due to the fact that they respond better to changing markets. In other words, just as the words push and pull are antonymous, their supply chain strategies are also completely opposite. The supply chain integration borrows from both paradigms together with the demand driven strategy. This helps in promoting the products in the market as opposed to the "push", which was used to push products to the market, and "pull", which helped to pull products to the market.

In other words, in demand driven strategy, the products are driven to the market by the customers' demand, and for this to be achieved, there must be high levels of collaboration between the customers and the organization. Collaboration helps both the customers and the manufactures to closely monitor the trends and changes in the market. The main advantage of the <https://assignbuster.com/supply-communication-has-played-a-major-role/>

demand driven strategy is that both the manufactures and the customers actively participate in shaping the market demands as opposed to the traditional setting of just accepting any situation that emerges. This helps them forecast future trends and reduce variations in the market hence increase profitability. For a supply chain to be effective, an organization needs to maintain a balance between the pull and the push strategies which will help resolve both long term and short term issues respectively. Adoption of the demand driven approach would also help in surviving in high competitive markets.

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